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Desun Real Estate Investment Services Group Co., Ltd.

德商產投服務集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2270)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASE AGREEMENT

THE LEASE AGREEMENT

The Board announces that on 26 June 2023, Sichuan Huitong (a non-wholly-owned subsidiary of the Company) as the lessee and Sichuan Gaodeng as the lessor entered into the Lease Agreement in respect of the Leased Premises for a term of 12 years commencing from 21 June 2023 and expiring on 20 June 2035.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the lease of the Leased Premises under the Lease Agreement will be recognized as a right-of-use asset of the Group. Accordingly, the entering into the Lease Agreement is regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratio in respect of the estimated value of the right-of-use asset to be recognized by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 26 June 2023, Sichuan Huitong (a non-wholly-owned subsidiary of the Company) as the lessee and Sichuan Gaodeng as the lessor entered into the Lease Agreement in respect of the Leased Premises for a term of 12 years commencing from 21 June 2023 and expiring on 20 June 2035.

PRINCIPAL TERMS OF THE LEASE AGREEMENT

- Date** : 26 June 2023
- Parties** : (i) Sichuan Huitong (as lessee); and
(ii) Sichuan Gaodeng (as lessor), Sichuan Gaodeng was authorized by Huateng Investment, the owner of the Leased Premises, to lease out the Leased Premises to Sichuan Huitong
- Leased Premises** : The first floor to the tenth floor of Building Three of Dingsheng Times (also known as Dingsheng International) located at No.85, 1st Wuke West Road of Wuhou District in Chengdu
- Gross floor area** : Approximately 9,260.71 sq.m., among which the gross floor area of the first floor of the Leased Premises is approximately 736.49 sq.m. and the gross floor area of the second floor to the tenth floor of the Leased Premises is approximately 8,524.22 sq.m.
- Term** : 12 years from 21 June 2023 to 20 June 2035
- Usage** : The Leased Premises will be used by Sichuan Huitong for external office leasing
- Rent** : The total rent payable under the Lease Agreement is approximately RMB49,950,856 (exclusive of property management fees and other charges) for the 12-year term of lease. Among which, according to the Lease Agreement, Sichuan Huitong and Sichuan Gaodeng agreed that, (1) during the period from 21 June 2023 to 20 June 2024, Sichuan Huitong shall pay to Sichuan Gaodeng the rent in the amount of RMB3,864,128.40; (2) considered to support Sichuan Huitong's operation, Sichuan Gaodeng shall provide Sichuan Huitong with a discount in the amount of RMB3,405,135.99 for the period from 1 July 2023 to 30 June 2024, so that Sichuan Huitong shall pay the rent for the aforementioned period in an amount of RMB458,992.41

If, during the term of the Lease Agreement, there is an early termination of the Lease Agreement, the termination of which is attributable to Sichuan Huitong, Sichuan Huitong shall make up the discount provided by Sichuan Gaodeng in the amount of RMB3,405,135.99, subject to the final calculation according to the Lease Agreement

- Rent free period** : From 21 June 2023 to 20 December 2023
- Security deposit** : Sichuan Huitong shall pay to Sichuan Gaodeng a security deposit in the amount of RMB322,010.70 within three days from the date of signing the Lease Agreement
- Payment terms** : The rent is payable on quarterly basis. Sichuan Huitong shall pay the rent for the next payment period in full within five days before the end of each payment period
- Guarantee** : Mr. Ren Kaijun (任開均先生) agreed to provide joint liability guarantee in respect of the payment obligation of rent, damages, forfeit penalty, interests and other fees under the Lease Agreement

INFORMATION OF THE PARTIES

The Group and Sichuan Huitong

The Group is an integrated property management services and commercial operational services provider, providing property management services and commercial operational services for mid- to high-end residential properties and commercial properties.

Sichuan Huitong is a company established in the PRC with limited liability, which is wholly owned by Chengdu Desun Xinhongdao. Chengdu Desun Xinhongdao is owned as to (i) 51% by Chengdu Yujingge Hotel Management Co., Ltd.* (成都御璟閣酒店管理有限公司), a wholly-owned subsidiary of the Company; and (ii) 49% by Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司). Sichuan Century Yuanhong Commercial Management Co., Ltd.* (四川世紀遠鴻商業管理有限公司) is ultimately wholly-owned by Mr. Ren Kaijun (任開均先生) and Mr. Ren Tianyi (任天義先生). Sichuan Huitong is principally engaged in providing commercial complex management services, non-residential property leasing and property management.

Sichuan Gaodeng

Sichuan Gaodeng is a company established in the PRC with limited liability and is principally engaged in enterprise management consulting, real estate consulting, real estate agency, property management and marketing and sales planning. Sichuan Gaodeng is a wholly-owned subsidiary of Hexin Zhiye Group Co., Ltd.* (合信置業集團有限公司) (“**Hexin Group**”). Hexin Group is held as to 98% by Ms. Deng Xuemin (鄧雪敏女士) and 2% by Ms. Bian Xiuxiu (卞秀秀女士). To the best knowledge, information and belief of the Directors, having made all reasonable enquires, Sichuan Gaodeng and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company as at the date of this announcement.

REASONS FOR AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENT

It is the current intention of the Group to renovate and sublease the Leased Premises to prospective tenants. Since the listing on the Stock Exchange, the Group has been actively looking for business opportunities to grow its business. Being deep rooted in Sichuan Province, the Directors believe there are immense opportunities for business innovation in Chengdu, and the Group is well positioned to capture such opportunities and growth in the region. Considering the growth potential, population and foot traffic of the Leased Premises, and in conjunction with the Group’s experience and expertise in property management and commercial operation, the Directors believe the current lease of the Leased Premises may expand the scope of the Group’s commercial operation service and management and the Group’s revenue stream.

The Lease Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm’s length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Leased Premises.

Therefore, the Board considers that the entering of the Lease Agreement is in the ordinary and usual course of business of the Group, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the lease of the Leased Premises under the Lease Agreement will be recognized as a right-of-use asset of the Group. Accordingly, the entering into the Lease Agreement is regarded as an acquisition of asset by the Group pursuant to Chapter 14 of the Listing Rules.

It is expected that the value of the right-of-use asset to be recognized by the Group under the Lease Agreement will be approximately RMB34,535,961, which includes the present value of the aggregate rent and the ancillary management costs payments to be made during the 12-year term under the Lease Agreement in accordance with HKFRS 16 “Leases”. A discount rate of 5% per annum is adopted in calculating the present value of the above lease payments.

As one or more of the applicable percentage ratio in respect of the estimated value of the right-of-use asset to be recognized by the Group under the Lease Agreement exceeds 5% but all applicable percentage ratios are less than 25%, the transaction contemplated under the Lease Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

“Board”	the board of Directors
“Chengdu Desun Xinhongdao”	Chengdu Desun Xinhongdao Business Management Co., Ltd.* (成都德商新泓道商業管理有限公司), a company established in the PRC with limited liability and an non-wholly-owned subsidiary of the Company
“Company”	Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 2270)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huateng Investment”	Sichuan Huateng Investment Co., Ltd.* (四川華騰投資有限公司), a company established in the PRC with limited liability. Huateng Investment is 53.3333% controlled by Sichuan Shichuan Zhiye Co., Ltd.* (四川世傳置業有限公司), which is held as to 98% by Ms. Deng Xuemin (鄧雪敏女士) and 2% by Ms. Bian Xiuxiu (卞秀秀女士). To the best knowledge, information and belief of the Directors, having made all reasonable enquires, Huateng Investment and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company as at the date of this announcement
“Lease Agreement”	the lease agreement entered into on 26 June 2023 between Sichuan Huitong and Sichuan Gaodeng with respect to the lease of the Leased Premises
“Leased Premises”	the first floor to the tenth floor of Building Three of Dingsheng Times (also known as Dingsheng International) located at No.85, 1st Wuke West Road of Wuhou District in Chengdu
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sichuan Gaodeng”	Sichuan Gaodeng Global Commercial Management Co., Ltd.* (四川高登環球商業管理有限公司), a company established in the PRC with limited liability
“Sichuan Huitong”	Sichuan Huitong Jinhong Commercial Management Co., Ltd.* (四川匯通錦鴻商業管理有限公司), a company established in the PRC with limited liability
“sq.m.”	square meter

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

By order of the Board
Desun Real Estate Investment Services Group Co., Ltd.
Mr. Zhang Zhicheng
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 26 June 2023

As at the date of this announcement, the executive Directors are Mr. Zhang Zhicheng, Ms. Xiong Jianqiu, Ms. Wan Hong, Mr. Liu Jun and Mr. Shao Jiazhen, the non-executive Director is Mr. Zou Kang, and the independent non-executive Directors are Mr. Fang Liqiang, Mr. Chen Di and Mr. Yan Hong.

* *For identification purpose only*